



INTOSAI
Working Group
on Environmental
Auditing

Project Work Plan

**Guidance material on how to integrate
Fraud and Corruption issues into the
Auditing of Environmental and Natural
Resource Management**



Guidance material on how to integrate Fraud and Corruption issues into the Auditing of Environmental and Natural Resource Management

Project Objective and Outcome

The main objectives of the Guidance material on how to integrate Fraud and Corruption issues into the Auditing of Environmental and Natural Resource Management ('the Guide') are to make auditors in the environmental and natural resource sectors more aware of the challenges posed by fraud and corruption in these sectors, to give them an introduction to basic concepts and methods, to provide tips and examples on how to introduce the risk of fraud and corruption into the design of the audit of a particular environmental/natural resource area, and to be a useful reference document for environmental auditors wishing to make further studies in this area.

Guide Structure

1. Introduction	Content and structure of the Guide and why focusing on fraud and corruption in the environmental and natural resource sectors is important.
2. Background on fraud and corruption and environmental and resource management	<p>The Guide will here present definitions of fraud and corruption, basic forms of fraud and corruption, and what their main drivers are. Furthermore, this chapter will describe some of the basic features which make the environment and natural resources particularly vulnerable to fraud and corruption. As part of this, the description will also seek to highlight the regions and sectors which appear to be most affected by fraud and corruption.</p> <p>The chapter will also give a very brief account of the direct and indirect costs of fraud and corruption on natural resources and the environment.</p> <p>The chapter will mainly contain information which is extracted from the theoretical literature on fraud and corruption prevention and detection, and from studies and reports focusing on fraud and corruption in various environmental and natural resource sectors. In addition the chapter will draw on various INTOSAI documents.</p>
3. Fraud and corruption risk assessment methodology and criteria	The purpose of this chapter is to present basic elements in fraud and corruption risk assessment both at governance/society level and at management/sector level, including possible 'red flags'. To the extent possible, the description of the various risk factors will be linked to relevant examples from the environmental

	<p>and natural resource sectors.</p> <p>This chapter will to a large extent be based on the same sources as chapter 2, including WGEA Guidance materials.</p>
<p>4. Audit procedures to confirm or invalidate suspicion of fraud and corruption</p>	<p>This chapter will give a presentation of some of the most important tools and audit procedures to strengthen or weaken suspicion of fraud and corruption, including searching in registers, transaction analysis, and ways to identify money laundering. To the extent possible, the description of the various tools and audit procedures will be linked to relevant examples from the environmental and natural resource sectors.</p>
<p>5. Fraud and corruption risk assessment at management/sector level – examples</p>	<p>This chapter is intended to provide one or a few examples on more thorough, complete and coherent risk assessments and audit procedures from various environmental/natural resource sectors.</p> <p>Ideally, if we manage – based on our research – to present one 'complete' value chain where the most important fraud and corruption risks are pointed out at every 'link', this might be sufficient as an example for auditors on how to approach the F&C risks within a particular environmental/resource sector in a more coherent manner.</p> <p>Before we arrive at this point, however, it will be necessary to carry out quite extensive research to get a clearer picture of what studies and examples are available from the various sectors. As a point of departure, the following main themes have been selected for further studies and data collection:</p> <ul style="list-style-type: none"> (i) Water (ii) Climate change (iii) Waste (iv) Biodiversity (v) Fisheries (vi) Mining (vii) Forestry (viii) Oil & gas <p>According to the investigations carried out so far, these themes appears to be among the most central in the professional/academic discussion on the global level regarding corruption/fraud and environmental and resource management. Furthermore, together these themes cover some of the most important sectors within</p>

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	<p>the area of environmental and resource management, and should therefore be expected to be of high relevance both to all INTOSAI-regions and – albeit to a varying extent – to each individual SAI around the world. Finally, except from (viii), i.e. oil & gas, INTOSAI WGEA has developed guidance materials for auditing all these themes.</p> <p>In addition to information from studies and reports focusing on fraud and corruption in various environmental and natural resource sectors, and from relevant WGEA Guidance materials, this chapter will also – to the extent possible – draw on examples and cases received from relevant international organizations and from the members of WGEA.</p> <p>Good auditing practices will also be identified and described in this chapter.</p>
Appendices	Glossary, example of risk assessment matrix, etc.

Planned Methodology and Participants:

Participants:

Throughout the process, we will seek to benefit from the experiences of relevant organizations, SAIs and projects:

The sub-committee

The sub-committee will be an important and representative source of feedback within the INTOSAI organization.

- The following countries volunteered to be members of the sub-committee at the 13th meeting of INTOSAI Working Group on Environmental Auditing (WGEA) in China in June 2010: Brazil, Cameroon, Czech Republic, Egypt, India, Indonesia, Iraq, Namibia, Russia, Slovakia, Tanzania, and the United States.
- The sub-committee members will be invited to assist in determining the direction of the project and comment on the work plan. Furthermore, they will be asked to review and comment on draft documents (in April and September 2011), and comment on a final version of the Guide in March 2012.

Member SAIs

If available, we will also seek to collect examples of fraud and corruption cases related to the management of the environment and natural resources from the members of WGEA.

INTOSAI WGEA

The WGEA secretariat will be contacted when needed. The Guide will be discussed in the following meetings:

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- In March 2011, the project plan will be approved at the Steering Committee meeting in Morocco (SC10)
- In November 2011, a draft of the Guide will be presented at WG14 in Argentina. In mid-2012 a draft of the complete version of the Guide will be presented at SC11
- In June 2013 a final version of the Guide will be presented at WG15 in Estonia for final approval.

Other relevant organizations

Both to receive inputs and concrete examples to the guide, to get in contact with other relevant actors in this field, and to receive assistance in quality assurance during the course of the project, we also have contacted other organizations inside and outside the INTOSAI community. Inside INTOSAI, we have contacted the INTOSAI Working Group on the Fight Against Corruption and Money Laundering (WGFACML), and the INTOSAI Development Initiative (IDI). Outside INTOSAI, we have contacted Transparency international, INTERPOL Environmental Crime Programme, International Network for Environmental Compliance and Enforcement (INECE), World Bank Institute (WBI) and Global Witness.

Methodology

- The Guide will be based on relevant documents, including WGEA Guidance materials and other INTOSAI documents; collected examples and cases; and on planned or conducted audits.
- Considering the complexity of both fraud and corruption auditing, on the one hand, and environmental/resource management auditing on the other, combining the two will most likely be a very demanding exercise. We will therefore also consider using external consultants to assist us in quality assurance during the course of the project.

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Timeline and Key Milestones:

Activity	Date
2010	
Contact relevant international organizations	October 2010

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Draft Project Work Plan to the Subcommittee	December 2010
2011	
Final Draft of Project Work Plan to the WGEA-secretariat	January 2011
Receive comments from Steering Committee	January-February 2011
Present the Project Work Plan at SC10 in Morocco for final review and approval	7 – 13 March 2011
Final version of the Project Work Plan	April 2011
Draft Chapters 1-3 to the Subcommittee and relevant international organizations	April 2011
Draft Chapters 1-4 to the Subcommittee and relevant international organizations	September 2011
Draft Chapters 1-4 and Elaborated table of contents of the Project to the WGEA-secretariat	October 2011
Present the draft Guide on WG14 in Argentina	November 2011
2012	
Send draft complete Guide (Chapters 1-5) to the Subcommittee and relevant international organizations	March 2012
Send draft complete Guide to the WGEA-secretariat	May 2012
Present draft complete Guide at SC11 for review and comments	Mid-2012
Final draft of the Guide to the WGEA-secretariat	October 2012
2013	
Final version of the Guide – translation, editing, printing etc.	April 2013
Present complete Guide at WG15 in Estonia for final approval	June 2013